

Message Text

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PAGE 01 BONN 14119 030425Z
ACTION ACDA-10

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C O N F I D E N T I A L BONN 14119

LIMDIS

USIAEA

E. O. 11652: GDS
TAGS: PARM, TECH, MNUC, AR, GW
SUBJECT: U.S. SALE OF ZIRCALOY TO FRG FOR USE IN
ARGENTINA

REF: (A) STATE 191795 (B) VIENNA 6907

1. ACTING ECONOMIC COUNSELOR INFORMED FRG FONOFF
(DR. VON NEUBRUNNER) AND BMFT (DR. GRUEBER) OF USG
DECISION ON ZIRCALOY AS PER REF (A). IN BOTH CASES FRG
REACTION, STILL UNOFFICIAL AT THIS POINT, WAS CRITICAL.

2. DR. GRUEBER WHO WAS FILLING IN FOR DR. LOOSCH SAID
THAT HE FEARED THAT FURTHER DELAYS IN DELIVERY BY
RBU OF THE ELEMENTS FOR ATUCHA WERE NOW UNAVOIDABLE. HE
SAID THAT RBU PRODUCTION WAS ALREADY BEHIND SCHEDULE
SINCE THEY NEEDED THE ZIRCALOY LAST WEEK. HE PLANS
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PAGE 02 BONN 14119 030425Z

TO GET IN TOUCH WITH RBU RIGHT AWAY TO SEE WHAT CAN NOW
BE DONE. INCIDENTALLY, HE ALSO QUESTIONED WHETHER
ARGENTINA HAD ANNOUNCED WILLINGNESS TO ENTER INTO DISCUSSION OF
IAEA FULL SAFEGUARD AGREEMENT--CF. REF (B).

3. DR. VON NEUBRUNNER'S IMMEDIATE REACTION WAS EVEN
MORE NEGATIVE; HE SAID HE FEARED THIS COULD WELL

MEAN KILLING THE WHOLE FRG/ARGENTINE PROJECT UNLESS SOME ACCOMMODATION COULD BE WORKED OUT. LONGER TERM POSSIBILITIES FOR FRG COULD OTHERWISE INCLUDE ERECTION OF A PLANT TO PRODUCE ZIRCALOY IN THE FRG--ESTIMATED COST OF DM 2 MILLION OR SUPPLIES FROM ELSEWHERE, POSSIBLY FRANCE. DR. VON NEUBRUNNER EXPLAINED HIS BASIC DIFFICULTY IN ACCEPTING THE PROPRIETY OF THE U.S. REQUIREMENT ON A MATERIAL SUCH AS ZIRCALOY, WHICH HE MAINTAINED HAD NOTHING TO DO WITH NUCLEAR EXPLOSIVE DEVICES. HE COMPARED THE SITUATION TO A BUILDING SUPPLY COMPANY DEMANDING A VETO OVER WHO WAS TO OCCUPY A HOUSE, JUST BECAUSE THE COMPANY HAD PROVIDED SAND TO MAKE THE CEMENT USED IN CONSTRUCTION. HE ALSO REFERRED TO THE POSITIVE REACTION IN GERMANY TO THE U.S. POSITION ON PEACEFUL USES OF NUCLEAR ENERGY EXPRESSED IN THE ECONOMIC SUMMIT DECLARATION, SAYING THAT TO HIS MIND THIS SORT OF NEW U.S. REQUIREMENT RESULTING FROM THE NNPA COULD CALL THE SPIRIT OF THAT DECLARATION INTO QUESTION.

4. COMMENT. WHILE THERE IS STILL NO INDICATION OF WHAT ARGENTINE REACTION TO REF (A) WILL BE AND FRG REACTION SO FAR HAS BEEN ENTIRELY UNOFFICIAL, THERE WAS LITTLE DOUBT IN OUR MINDS THAT THE GERMANS WILL BE MUCH EXERCISED IN PRIVATE IF NOT PUBLICLY ON THE ZIRCALOY ISSUE. BECAUSE OF THE AUGUST HOLIDAYS IT MAY TAKE THE GERMANS SOMEWHAT LONGER THAN USUAL TO GIVE US AN OFFICIAL
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PAGE 03 BONN 14119 030425Z

REACTION AND POSITIVE REACTION IN ARGENTINA WOULD OBVIOUSLY MAKE A BIG DIFFERENCE. NONETHELESS AN UNDER-TONE OF BITTERNESS HERE, AT LEAST IN THE FOREIGN OFFICE, IS ALL TOO APPARENT.
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